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SUBJECT: ANGOLA:NEWEST OIL CONCESSIONS:LANDMARK
TRANSPARENCY AND PRICES OFFERED

REF: A. LUANDA 00176
[1](#)B. 05 LUANDA 01332

[1](#)1. (U) Summary: In a formal ceremony to open and announce bids for the current licensing round of oil concessions in Angola, Sonangol entered a new era of transparency, reading aloud details on each bid, including the signature bonus. In an afternoon of firsts, Italian petroleum producer ENI offered a whopping USD 902 million as a signature bonus for the relinquished areas of Block 15. End Summary.

[1](#)2. (U) Sonangol, the Angolan oil parastatal, on Monday, April 3, 2006, held a Ceremony for the Opening of the Proposals for the Licensing Rounds of blocks 1, 5, 6, and 26 and the relinquished areas of Block 15. The meeting was open to representatives of those companies submitting bids, although not to the general public or the press. In a level of transparency not before seen in Angola) or in many oil-producing countries) sealed envelopes containing the bids were opened in front of the group and bids were read aloud, including the signature bonus offers. Sonangol will convoke a jury during the next thirty days to examine the bids, work programs, and social programs to determine the operators for each block. Note: Blocks 17 and 18, which were previously linked to the construction of the planned oil refinery, have been delinked and thus bidders were given more time to submit bids. The Ceremony for the Opening of Proposals for these blocks will occur on May 8, 2006.

[1](#)3. (U) The stunning news of the afternoon was the signing bonus offered by Italian oil company ENI for the relinquished parts of Block 15) a whopping USD 902 million. This marks a world record for a signature bonus offer; the average previously hovered at USD 350-400 million. The second largest signature bonus offer was made by SSI for USD 750 million. This information was divulged to the press by Chevron,s legal representative and confirmed by our contacts present during the ceremony. Experts believe that ENI has based its calculations on expectations of production of 1 billion barrels and oil prices above USD 50 per barrel.

[1](#)4. (SBU) US based Exxon-Mobil is the original operator for Block 15. Its current production through the Kizomba A and B wells total approximately 585,000 bpd. Exxon-Mobil relinquished parts of Block 15 not in production as the time limit had expired on its exploration contract. We understand that Exxon-Mobil submitted a signature bonus bid of USD 150 million on the relinquished parts of Block 15. Multinational oil company reps also told us that SSI, the joint venture between Sonangol and Sinopec, submitted high bids for a number of the blocks. Many of the western oil companies expressed astonishment at the elevated signing bonuses offered, and expressed concern that they may walk away with little to show from the current round.

